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STATE OF MONTANA
INDUSTRIAL ACCIDENT BOARD
REPORT ON EXAMINATION
Fiscal Year Ended June 30, 1969



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MONTANA
STATE CAPITOL • HELENA



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STATE OF MONTANA
INDUSTRIAL ACCIDENT BOARD
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Fiscal Year Ended June 30, 1969

TABLE OF CONTENTS

	<u>Page</u>
Appointive and Administrative Officials	iv
Summary of Recommendations	v
Scope of Examination and Opinion	1
Comments:	3
General	3
Financial Statements and Accounting System:	4
General Ledger	4
Cash Register	6
Cash Controls and Procedures:	6
Cash Receipts	6
Cash Disbursements	8
Board Conference Account	10
Contingent Revolving Account	11
Investments:	12
Investment Authorization and Approval	13
Internal Control Over Securities	14
Recording of Investment Transactions	15
Amortization of Premium and Discount	16
Bonds Held as Security	16
General Fixed Assets	17
Reserves	18
Industrial Insurance Program Activities:	18
Refunds of Premiums	18
Vacation Pay Exclusion From Gross Payroll	22

TABLE OF CONTENTS (Continued)

	<u>Page</u>
Inadequate Advance Deposits	23
Compensation and Medical Benefits	24
Supervision of Plans I and II Claims	25
Subrogation	26
Expenditure Control:	28
Expenditure Limitations	28
Overexpenditure of Silicosis Operations Appropriation	29
Payroll:	30
Employee Appointment and Termination Documents	31
Employee Attendance Reports	31
Vacation, Sick Leave, and Overtime Records	32
Termination Pay	33
Internal Control in Payroll Operation	34
Silicosis Benefit Program:	34
Silicosis Program Regulations	35
Income Limitation for Silicosis Benefit Recipients	35
Control Over Payment of Silicosis Benefits	36
Reporting of Activity in Silicosis Benefit Program	38
Other Program Activities:	39
Boiler Inspections	39
Registration of Aliens	40
Conclusion	41
Financial Statements:	<u>Exhibit</u>
Balance Sheet, June 30, 1969:	
All Funds	A 42

TABLE OF CONTENTS (Continued)

	<u>Exhibit</u>	<u>Page</u>
Earmarked Revenue Fund	A-1	43
Agency Fund	A-2	44
Statement of Changes in Fund Balance, Fiscal Year Ended June 30, 1969:		
All Funds	B	45
Earmarked Revenue Fund	B-1	46
Agency Fund	B-2	47
Statement of Revenue, Fiscal Year Ended June 30, 1969:		
All Funds	C	48
Earmarked Revenue Fund	C-1	49
Agency Fund	C-2	50
Statement of Expenditures and Encumbrances Compared With Appropriations, Fiscal Year Ended June 30, 1969:		
General Fund and Earmarked Revenue Fund	D	51
Earmarked Revenue Fund	D-1	52
Agency Fund	D-2	53
Statement of Changes in General Fixed Assets, Fiscal Year Ended June 30, 1969	E	54

APPOINTIVE AND ADMINISTRATIVE OFFICIALS

INDUSTRIAL ACCIDENT BOARD

J. J. Carden, Chairman

Jack C. Carver, State Director of Division of Vocational Rehabilitation

Sidney T. Smith, State Commissioner of Labor

SUMMARY OF RECOMMENDATIONS

Page

Establish and maintain general ledger accounts for each of the board's treasury fund accounts.	5
Document and record yearend adjusting entries in the general ledger.	5
Consider eliminating the cash register journal.	6
Prepare pre-listing of cash receipt at the initial point of receipt.	8
Deposit receipts promptly on a daily basis.	8
Discontinue practice of cutting off cash receipts early and record as of the day of receipt.	8
Study problems with state controller and pay all board claims through the state claim-warrant system.	10
Include conference costs in appropriation requests, deposit conference income as revenue to the board's administration account, and account for conference revenues and expenditures in the board's general ledger.	11
Include contingent revolving account in financial statements, reconcile the account monthly, and limit disbursements to those allowed by the state controller's regulations.	12
Cooperate with the state controller, state treasurer, and land board in establishing a central investment authority.	14
Require present of two responsible officials for access to board securities and separate record keeping and custodial duties relating to investments.	15
Record pledged securities in financial records and present in annual financial statements.	17
Establish general ledger control accounts for fixed assets, adjust records to agree with physical inventory, record additions and deletions on a current basis, document and approve dispositions of property, and include a fixed asset statement with the annual financial statements.	18
Revise employer's report form to simplify instructions and reduce cost.	22

SUMMARY OF RECOMMENDATIONS (Continued)

Page

Determine reason for apparent overpayments before making refunds of employer premium payments.	22
The state controller provide for the exclusion of vacation pay in computing state agencies' industrial accident insurance premiums, if the statute provision allowing the deduction is not deleted.	23
Review and regularly update advance deposits to insure they are adequate.	24
Document reasons for payment of benefits and the manner of computation of amounts.	25
Establish and maintain an inventory control of Plans I and II claims.	26
Record all amounts received in subrogation actions, establish and maintain control records for claims subject to possible subrogation, and seek clarification of statutory provisions relating to payment of expenses in subrogation actions.	28
Comply with provisions of Section 92-116, R.C.M. 1947, or request statutory amendment if the law is not workable.	29
Limit expenditures to appropriated amounts.	30
Establish a standardized form for employee appointments and terminations.	31
Require employee time reports to be signed in ink by both the employee and supervisor.	32
Redesign leave record form to include sick leave and overtime so as to show leave earned, taken, and accumulated balances and discontinue granting vacation leave prior to an employee's completing statutory one year of service.	33
The state controller prescribe standardized procedures for computation of terminating state employees' pay.	33
Segregate the duties of approving payroll claims and distributing payroll warrants.	34
Establish written regulations for operation of the silicosis benefit program.	35

SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
Request clarification as to limitation on income from other sources of silicosis claimants.	36
Initiate program to determine silicosis claimants' continuing eligibility to receive payments and change payees or cease benefit payments accordingly.	38
Reestablish practice of compiling and publishing statistical information regarding silicosis benefit program.	39
Reevaluate boiler inspection program and present a program to the legislature for implementation of an adequate boiler inspection program.	40
Enforce statute relating to registration of alien employees or seek legislation to amend or abolish the law.	40



STATE OF MONTANA
Office of the Legislative Auditor
STATE CAPITOL
HELENA, MONTANA 59601

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the balance sheet of the Industrial Accident Board as of June 30, 1969, and the related statements of operations, as set forth in the table of contents in this report, for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements have been prepared on the cash basis of accounting, except for the industrial insurance account in the Agency Fund in which revenues have been accrued. The statements do not show financial position or operating results as do statements prepared on the modified accrual basis in accordance with generally accepted accounting principles applicable to governmental units.

In our opinion, subject to the exception described in the preceding paragraph, the accompanying financial statements present fairly the financial position of the funds and accounts of the Industrial Accident Board as of June 30, 1969, and the results of operations for the year then ended, in conformity with generally accepted governmental accounting principles applied on a basis consistent with that of the preceding year.

We submit the financial statements listed in the preceding table of contents together with the following comments.

COMMENTS

GENERAL

The Industrial Accident Board was created in 1915 to administer and enforce the provisions of the Workmen's Compensation Act (Title 92, R.C.M. 1947). The board consists of three members: The chairman, who is appointed by the governor to a four-year term, and two ex-officio members, the Commissioner of Labor and Industry, and the Director of the Division of Vocational Rehabilitation.

Since 1915, the board has been made responsible for the administration and enforcement of the provisions of the following related acts and sections of the Revised Codes of Montana, 1947:

1. Montana Safety Act (Title 41, Chapter 17, R.C.M. 1947).
2. Volunteer Firemen's Compensation Act (Sections 11-2020 through 11-2031, R.C.M. 1947).
3. Boiler and Mines Inspectors (Title 50, Chapter 9, R.C.M. 1947).
4. Coal Mining Code (Title 50, Chapters 4 and 5, R.C.M. 1947).
5. Quartz Mining Code (Title 50, Chapter 1, R.C.M. 1947).
6. Boiler Inspection-Engineers' License Code (Title 69, Chapters 15 through 17, R.C.M. 1947).
7. Public Welfare Act, Part Nine (Silicosis Benefits) (Title 71, Chapter 10, R.C.M. 1947).
8. Registration of Alien Employees (Title 41, Chapter 6, R.C.M. 1947).

The Montana Workmen's Compensation Act provides that every employer engaged in hazardous industries, as designated by the board, enroll under the act to protect his employees in the event of industrial injury. The only employers exempted from the provisions of the act are those engaged in various classes of agriculture or employers engaged in the operation of interstate railroads.

The Montana Act provides three methods by which employers may come within its provisions, known as and hereinafter referred to as Plans I, II, and III. Plan I is the self-insurer plan and may be adopted by an employer only if he furnishes sufficient proof to the board of his financial ability to pay all benefits provided by the Act. During the 1968-69 fiscal year, there were 65 self-insurers in the state.

Plan II provides for insurance of the employer by a casualty insurance company authorized to write workmen's compensation in Montana. During 1968-69 there were approximately 120 insurance companies authorized to write such insurance and they insured approximately 7,000 employers.

Plan III is the state compensation insurance program, which is administered directly by the board. All employers doing contract work for the state or one of its political subdivisions are required to insure under Plan III. Others may insure electively either with private carriers or with the board. The board is obligated by law to furnish coverage for state government and for counties, cities, school districts, and all public corporations. The board is further obligated to insure any employer requesting such coverage, regardless of whether or not such a risk is insurable or uninsurable by reason of excessive hazard or other causes. During the 1968-69 fiscal year, about 8,000 employers were covered under Plan III.

FINANCIAL STATEMENTS AND ACCOUNTING SYSTEM

General Ledger

The board's accounting system was deficient during 1968-69 in that no general ledger was maintained for three of the board's treasury fund accounts. The only formal records maintained for the following three accounts were

those prepared by the State Controller's Office:

1. Volunteer Firemen's Compensation Account.
2. Second Injury Account.
3. Insurance Liquidation Account.

The extent of records maintained by the board for these accounts basically consisted of folders containing correspondence concerning transactions of the accounts, copies of treasurer's receipts for revenues of the accounts, and copies of warrants written on such accounts.

A general ledger is a basic record in any accounting system as it provides the summarization and control of the activities of an accounting entity. The board has the system already developed with its existing general ledger and chart of accounts to establish general ledger accounts for all of its treasury fund accounts.

We also noted that many accounts in the general ledger for 1968-69 did not agree with the financial statement figures. We found various reasons for the disparity of figures, but usually it was because of corrections or adjustments not being made in the records as of June 30, 1969, or improper recording of transactions during the year. In addition, the board was unable to locate the worksheets from which the financial statement figures were developed.

RECOMMENDATION

We recommend that the board:

- 1. Establish and maintain general ledger accounts for each of the board's treasury fund accounts.*
- 2. Document and record yearend adjusting entries in the general ledger in order that the board's published financial statements will agree with general ledger account amounts.*

Cash Register

The board maintains a journal known as the "Cash Register", which is essentially a duplication of entries made in other journals. No postings are made from this book, but the board does use it as a quick reference for information purposes. Since the entries in this book are duplicative entries, we believe the board should consider alternative methods of obtaining required information from the formal records.

RECOMMENDATION

We recommend that the board consider eliminating the journal known as the "cash register" and obtaining required information from the formal accounting records.

CASH CONTROLS AND PROCEDURES

During our audit of the board's cash accounts we noted several procedures followed by board personnel which result in a lack of sufficient control over cash transactions and which often result in cash, revenues, and expenditures for the fiscal year being incorrectly presented in the board's financial statements. These areas of needed improvement are discussed below under specific topics.

Cash Receipts

The board receives through the mail daily substantial sums of money, mostly in the form of checks. These receipts are primarily from employers paying premiums for industrial accident insurance with the state insurance program, and during 1968-69 such collections totaled in excess of \$6,000,000. We believe that adequate accountability has not been established at the initial point of receipt for these collections, and they are not deposited as soon as they should.

Receipts for premiums are separated from employer reports and other correspondence in the board's mail room and taken to the cashier, an employee in the accounting division. No pre-listing is prepared outside of the accounting division. A listing of receipts is first prepared by the cashier, and the checks are then kept in a safe, while the employer report forms are sent to the data processing center to be processed. A deposit list is prepared at the data processing center and returned with the employer report forms to the board. The fiscal officer and head of the accounting division then make the deposit for the board after comparing the deposit list with the listing made by the cashier. This delay in depositing receipts usually ranges from one to four days. If less than a "batch" of employer report forms (about 100) is received in one day, all receipts will be held until a "batch" has accumulated.

Other receipts, such as for boiler licenses or inspection fees, occupational disease filing fees, and miscellaneous receipts are held until a substantial amount is accumulated. Deposits of these amounts are made about twice a week, or twice a month in the case of occupational disease filing fees. No pre-listings of these amounts received in the mail are made. Mail room clerks deliver such receipts to various authorized personnel in the accounting division where the first listing of the receipts is made. Ideally, formalized reports of collections should be prepared by the personnel responsible for opening the mail.

Premium payments received by the board from employers between approximately the 25th of each month and the last day of the month are entered in the board's records as receipts of the following month. This practice of "cutting off" early does not allow the records or financial statements to

accurately show board collections or cash on hand. For example, as of June 30, 1969, the board had collected \$36,640 in premiums that were not recorded as 1968-69 collections but were recorded as July 1970 collections.

RECOMMENDATION

We recommend that the board establish the following controls over cash receipts:

- 1. Prepare a pre-listing of receipts at the initial point of receipt, i.e., the mail room.*
- 2. Deposit receipts promptly on a daily basis.*
- 3. Discontinue the practice of "cutting off" cash receipts early and properly record cash receipts as of the day of receipt.*

Cash Disbursements

Basically three systems of disbursements are utilized by the board:

1. State claim-warrant system.
2. Board warrants written by the data processing center.
3. Board warrants written at the board office.

The state claim-warrant system is utilized for paying all administrative costs of the board and all expenditures concerning the silicosis program. All benefits and other loss adjustment expenses are paid by board warrants and, in general, compensation warrants are prepared at the board office, and medical payment and dividend warrants are prepared by the data processing center. The warrants written by the data processing center are returned to the board for signature and the board mails out all board warrants.

The board made disbursements from the following accounts in the following amounts during the 1968-69 fiscal year by writing their own warrants on

such accounts:

Industrial Insurance Account	\$5,198,516
Occupational Disease Account	8,844
Second Injury Account	9,518
Insurance Liquidation Account	4,148
Volunteer Firemen's Account	95,058

Basically the reason expressed by the board for disbursing moneys by writing their own warrants is to better serve claimants. Payments of compensation as provided in the Workmen's Compensation Act are required by Section 92-714, R.C.M. 1947, to be paid at the end of each two-week period. Section 92-1122 is cited by the board as their authority for writing their own warrants. That section states "Disbursements out of the industrial insurance account in the Agency Fund shall be made by the treasurer of the board as the board may order." Board personnel have interpreted this section to allow the board to write their own warrants on the industrial insurance account since, in their opinion, adequate service could not be obtained from utilizing the state claim-warrant system. The board's principal objection to paying claimants by state warrant is that the claim-warrant system does not effect payment soon enough to enable them to properly serve claimants.

In our report on the Office of the State Treasurer (July 1970), we addressed the problem of various state agencies writing their own checks and/or warrants, and the control problems that this practice creates. In that report, we recommended that the state controller require the discontinuance of agency checking accounts and require the use of the state claim-warrant process for the disbursement of state moneys. We believe that the board can make timely payments on claims for both compensation and medical

payments by utilizing the state claim-warrant system. We believe the board should, with the aid of the state controller, study the problems in obtaining timely payments from the state claim-warrant system and initiate the procedures necessary to achieve efficient payment of compensation and medical claims and dividend distributions through this system.

RECOMMENDATION

We recommend that the board, with the assistance of the state controller, undertake a study of the problems in obtaining timely payments from the state claim-warrant system and initiate the necessary procedures to pay all board claims through this system.

Board Conference Account

The board established a bank account called the "board conference account" for the deposit of registration fees and appropriated moneys to be used for expenses of conferences and seminars sponsored by the board. The account is used as a clearing account for such moneys but was not established within the state treasury system. Revenue and expenditures of this account, other than appropriated moneys, are not accounted for in the board's formal accounts or financial statements.

During the 1968-69 fiscal year, a claims seminar sponsored by the board was held at Carroll College in Helena. Total revenues from this seminar were \$760, and expenditures totaled \$754. During a year when the Governor's Safety Conference is held, revenue and expenditures in this account reach approximately \$3,000.

RECOMMENDATION

We recommend that the board:

- 1. Include conference costs in appropriation requests and deposit conference income as revenue to the board's administration account.*
- 2. Account for conference revenues and expenditures in the board's general ledger.*

Contingent Revolving Account

Section 79-602, R.C.M. 1947, gives the state controller the authority to establish under specific regulations, contingent revolving accounts at state agencies, to be used by such agencies basically for the payment of demands requiring immediate cash payment. The statute further states that each state agency granted a contingent revolving account shall report to the controller monthly all transactions involving these accounts. The controller has set forth detail instructions to agencies for reporting upon their contingent revolving accounts.

The board maintains a contingent revolving account of \$1,000 for the purpose of making travel advances to silicosis applicants and paying other minor invoices relating to silicosis operations. This account was not included in the board's financial statements as of June 30, 1969, but is reported in Exhibit A of this report as an asset of the General Fund in the amount recorded in the board's general ledger.

During the 1968-69 fiscal year reconciliations were not filed on a monthly basis with the controller as required. On August 1, 1969, the board filed reconciliations for the six months ending June 30, 1969.

Of a total of \$1,960 disbursed from this account during 1968-69,

\$1,591 was for payments to doctors for medical examinations of silicosis applicants. There is no provision for such expenditures in the controller's regulations and accordingly such disbursements should be made by claim and state warrant directly from the silicosis operations appropriation.

RECOMMENDATION

We recommend that the board:

- 1. Include the contingent revolving account in the annual financial statements.*
- 2. Reconcile the contingent revolving account monthly and promptly file such reconciliation with the state controller.*
- 3. Make only disbursements allowed by the state controller's regulations from the contingent revolving account.*

INVESTMENTS

Moneys are accumulated by the Industrial Accident Board in three accounts in the Agency Fund and one account in the Earmarked Revenue Fund for the purpose of meeting possible contingent future claims upon the state. These moneys are available for investment and are invested by board personnel. A summary of the board's investments as of June 30, 1969, is as follows:

Industrial Insurance Account	\$13,767,117
Occupational Disease Account	81,000
Second Injury Account	27,000
Volunteer Firemen's Account	<u>638,000</u>
Total	<u>\$14,513,117</u>

In previous reports on the Department of State Lands and Investments (July 1970), and the Office of the State Treasurer (July 1970), we have recommended the establishment of a central investment authority, headed by

an expert in the investment field, and have made several other recommendations affecting investments of moneys. The following comments applicable to the Industrial Accident Board's investment function contain references to recommendations made in the above mentioned reports.

Investment Authorization and Approval

Section 92-1112, R.C.M. 1947, provides that the treasurer of the board shall turn over any necessary reserves pertaining to the industrial insurance account to the State Board of Land Commissioners to be invested. Section 92-1334, R.C.M. 1947, provides that the treasurer of the board shall invest the occupational disease account moneys. This latter section is not compatible with Section 79-1202(2), R.C.M. 1947, which provides that the Board of Land Commissioners is required to invest in the long-term investment fund all moneys administered by the Industrial Accident Board.

The board chairman and fiscal officer make all investments for the board, usually after consulting with a local banker or investment broker. Evidence of approval of investments by the Board of Land Commissioners is not always in the board's files. Often the extent of communication with the land board is a letter informing the board that the purchase has already been made.

We addressed this problem in our land board report and restated our recommendation in the report on the State Treasurer's Office. We have recommended in those reports that the treasurer, land commissioner, and state controller seek to create a centralized investment function with the expertise necessary to achieve the intent of the investment statutes. We believe that the Industrial Accident Board should cooperate with these state agencies in establishing such a central investment authority.

RECOMMENDATION

We recommend that the board cooperate with the state controller, state treasurer, and the land board in establishing a central investment authority, headed by an expert in the investment field, to achieve maximum use of investable state moneys and provide for uniform recognition and accounting for state investments.

Internal Control Over Securities

Securities belonging to the Industrial Accident Board are kept in the vault at the State Treasurer's Office. The fiscal officer of the board is permitted access to the securities without the necessity of another responsible official being present. The fiscal officer also has control of the accounting records of the board. He receives all checks in payment of interest on all investments, records the interest payments, and prepares the deposits of investment income.

A basic feature of a good internal control system is the separation of the recording functions and the custodial functions as they pertain to investments. We noted that of the board's investments, \$1,579,000 were "bearer" instruments, which essentially are as good as cash to the holder. The magnitude of these "bearer" securities increases the importance of "dual control" (i.e., access allowed only to two or more authorized persons) over the securities of the board.

We believe that the board should take action immediately to limit access to securities to two authorized persons, one of which could be an employee of the Treasurer's Office, and take steps as soon as practicable to effect

a separation of duties between the custodial functions and record keeping functions of board personnel.

RECOMMENDATION

We recommend that the board:

- 1. Require the presence of at least two responsible officials for access to the board's securities.*
- 2. Separate the record keeping duties and custodial duties of board personnel.*

Recording of Investment Transactions

The board records purchases of long-term investments at the par value of the security and short-term investments at the cost of the security.

As noted in our report on the Department of State Lands and Investments (July 1970), the method of valuating and recording investments differs among the various state agencies with investments. It is basic that a uniform system of valuing and recording investments should be used if the records and financial statements of the agencies, and eventually the state, are to be accurate and meaningful. In this regard, we believe that investments should be recorded in the records at par with the related premium or discount amortized using an acceptable method, and that investments should be presented at book value in financial statements, with a parenthetical reference to market value, if book value and market value significantly differ at the report date.

Accordingly, we recommended in the land board report that the state controller prescribe generally accepted and uniform methods of accounting for all investments of state funds.

Amortization of Premium and Discount

The amount paid in excess of par value for an investment is generally termed a premium, while an amount under par value is a discount. There are generally three methods used to account for investment premiums and discounts. These are: (1) no amortization, (2) straight line amortization, and (3) the scientific method of amortization. Amortization is a method of gradually reducing, liquidating, or "writing off" a balance over a specified period of time. In the case of investments, premiums and discounts are usually amortized over the life of the investment.

The board follows a policy of no amortization and writes off the premiums or discounts at the time of purchase.

It is generally recognized in accounting and investment circles that a practice of no amortization distorts investment balances as well as the revenue received from investments. Both the straight line and scientific method are generally acceptable as long as one method is consistently used.

We have pointed out this deficiency in state agencies' accounting for investments in our reports on the Department of State Lands and Investments and the State Treasurer's Office (both July 1970), and recommended that the state controller prescribe procedures and instruct investing agencies in the use of an acceptable method of amortizing investment premiums and discounts.

Bonds Held as Security

The board, in its administration of industrial insurance program Plan II, where insurance companies write the compensation insurance, requires the insurance carriers to deposit with the board securities in a minimum amount of \$20,000 for writing compensation insurance in the state and \$20,000 for writing occupational disease coverage in the state. During the fiscal year

ended June 30, 1969, there were 122 such insurance companies writing compensation insurance and/or occupational disease coverage in the state. Securities deposited by these insurance carriers with the board totaled \$5,240,000 as of December 31, 1969. These securities are kept in the vault at the Office of the State Treasurer.

Records of these pledged securities are maintained in memorandum form only and the securities are not shown in financial statements of the board. Although the securities are not the property of the board, we believe they should be formally recorded in the board's records as securities pledged by insurance companies and presented in the annual financial statements by footnotes or parenthetical reference. This would strengthen present controls over these securities because the subsidiary records as now kept by the board would have to agree with a control account in the general ledger.

RECOMMENDATION

We recommend that securities pledged by insurance companies be entered in the board's financial records and presented in the annual financial statements.

GENERAL FIXED ASSETS

Exhibit E of the financial statements presents a statement of changes in the general fixed assets of the board for the fiscal year ended June 30, 1969, as they were accounted for by the agency. The board did not include a statement of fixed assets in their June 30, 1969 financial statements. The basis for the information in Exhibit E is the board's inventory of personal property report as of June 30, 1968, adjusted for additions and deletions during the 1968-69 fiscal year based upon our analysis of the board's detail records.

A physical inventory is ordinarily taken annually and becomes the basis for recording deletions in fixed assets. Deletions of fixed assets should be formally documented, approved, and written off the records at the time of their disposal instead of waiting until yearend and writing off all items that can't be found.

The board maintains a detail ledger for its fixed assets but no general ledger control accounts are maintained for the fixed assets owned by the board. Control accounts should be maintained on a current basis and the detail ledger should be in agreement with the control accounts at all times.

We noted various inconsistencies in the recording of fixed assets as follows:

1. Several assets were recorded at actual cost while others were recorded at cost less trade-in allowances.
2. Two automobiles purchased in July 1967, at a cost of \$3,606, had not been entered in the board's fixed assets inventory.
3. Capital equipment items amounting to \$2,275 were excluded from the fixed asset inventory as of June 30, 1969, while \$2,482 of capital equipment items purchased in 1969-70 were included in the fixed asset records at June 30, 1969.

The above inconsistencies are the result of a lack of an adequate system for recording fixed assets with definite rules as to cut-off dates and valuation of assets.

RECOMMENDATION

We recommend that the board:

1. *Establish general ledger control accounts for the major classifications of fixed assets, and offsetting reserve accounts presenting the total value by source of financing.*

2. *Adjust the records to agree with the latest physical inventory.*
3. *Record future additions and deletions of fixed asset items on a current basis.*
4. *Formally document and require written approval of all dispositions of property.*
5. *Include a statement of changes in fixed assets with the annual financial statements.*

RESERVES

The board, as authorized by Section 92-1110, R.C.M. 1947, establishes reserves in amounts as deemed necessary by the board for the payment of future losses. These reserves are enumerated in the accompanying balance sheet for the Agency Fund (Exhibit A-2). These reserves as of June 30, 1969, were examined by a firm of actuaries engaged by the board and were found to be "currently satisfactory." In view of the report by actuarial experts we have no comment as to the amount of the reserves, except to note that as of July 1, 1969, the board initiated a program of "reinsurance." This program essentially protects the board from losses in excess of certain prescribed amounts and within certain limits. This reinsurance should allow some reserves to be reduced and the board has stated that some reserves will be reduced.

INDUSTRIAL INSURANCE PROGRAM ACTIVITIES

Refunds of Premiums

Employer report forms now in use by the board are in triplicate (original, employer's copy, and accountant's copy). It is generally considered by board personnel that the third copy of the payroll form is unnecessary as the

preparer can utilize the employer's copy. Since board personnel have estimated that a cost savings of approximately \$600 annually would result from utilizing a two-part form instead of the present three-part form, we believe the board should consider utilizing a two-part form.

Board personnel generally agree that the forms presently in use are cumbersome and instructions for preparing the form are confusing. They report that they are planning changes in the information on the form as well as eliminating one copy of the form.

Our review of the premium refunds made by the board for 1968-69 substantiate the board's proposed actions. One area that is important is clarification of the "rate" noted on the form. Only in the instructions is it explained that the "rate" applies to each \$100 of payroll and this seems to confuse many preparers. We noted in a test sample of premium refunds that 28.5 percent were caused by a miscalculation of the decimal point by the preparer. We believe this could be made clearer to preparers of the report forms and should be considered in revising the form.

During the 1968-69 fiscal year, the board processed more than 40,000 employer reports. They made refunds of premium payments in approximately 600 instances (about 1.5% of the total) where apparent errors in calculation were made by the employers and apparent premium overpayments were made. These premium refunds amounted to \$20,482 during the fiscal year and individually ranged from \$1 to \$1,674.

After employer report forms are received by the board, the data processing center verifies the mathematical accuracy of the reports and returns them to the board with a report of the errors. During 1968-69 we noted various substantial refunds were made on the basis of the reports from data processing, apparently without further verification of such errors.

Of the \$20,482 in refunds made by the board, \$2,578 (17 of the approximate 600) in refund warrants was returned to the board by the employers with corrected reports showing that the error was not made in calculation but in inserting the proper figure in the proper classification on the form. In five of the six larger premium refunds cancelled, the errors could have been determined by the board to be errors of the employer if the reports had been compared with previous reports filed by the same employer.

In our test of premium refunds where the warrants were not cancelled, we again noted that apparently little effort was made to determine who was in error when data processing detected calculation errors. In a small test, we noted four additional refunds which, in our opinion, were not justified on the basis of the information on hand at the time. Three of the four refunds were returned by employers by personal check with a corrected employer report. One, in the amount of \$261, was not returned even though it is apparent from reviewing prior reports that the payroll was merely entered in the wrong line on the form. If the employer does not return the refund warrant or re-submit his check for the refund made after he determines it is his error, the erroneous refund will not be detected unless the employer is selected for audit.

We believe that the board should re-examine its procedures for review of calculation errors before refunds are made. No refunds should be made, in our opinion, unless the reason for the discrepancy can be readily determined. Those erroneous employer reports for which a reason for the discrepancy resulting in a refund cannot be found should be returned to the preparer for correction or earmarked for audit. No refunds should be made on such cases until after audit, unless the employer submits a corrected report and requests the refund.

RECOMMENDATION

We recommend that the board reevaluate:

- 1. The employer's report form presently utilized and revise the form to simplify instructions and reduce the cost of the form where possible.*
- 2. Present premium refund procedures and determine the reason for apparent overpayments before making refunds of employer premium payments.*

Vacation Pay Exclusion From Gross Payroll

Section 92-1121, R.C.M. 1947, provides that vacation pay is allowed as a deduction from gross payroll for purposes of computing the industrial accident insurance premium. Board personnel indicate that Montana is one of the few states that allow the deduction and that they will request a statute amendment to delete the provision during the next legislative session.

We noted that most state agencies are paying excessive premiums to the Industrial Accident Board because they do not reduce their gross payroll as reported to the board by the amount of vacation pay. This can be largely attributed to the fact that vacation records are not adequately maintained by many state agencies, and it is accordingly complicated to compute vacation pay in order to take the deduction. Deletion of the statute provision will eliminate the overpayments but, in the event the statute is not amended, we believe appropriate action should be initiated to insure proper premium payments by state agencies.

RECOMMENDATION

We recommend that, in the event the statute provision allowing deduction of vacation pay in computing industrial accident

insurance premiums is not deleted, the state controller establish procedures to provide for the exclusion of vacation pay in the computation of state agencies' industrial accident insurance premiums.

Inadequate Advance Deposits

It is board policy to require employers enrolling in the state industrial insurance program to make an initial deposit as a cash security to assure the board of payment of future premiums. The board's Workmen's Compensation and Occupational Disease Manual states:

"The initial deposit premium shall be no less than the following:

Monthly payroll reporting basis	-	25% of annual premium
Quarterly payroll reporting basis	-	50% of annual premium
Annual payroll reporting basis	-	100% of annual premium."

However, once the initial deposit is made, the board has no established procedures for maintaining the deposits at the established minimums. We noted in a test sample that approximately 40% of the deposits did not meet the prescribed minimums.

The amount of an advance deposit required of an insured employer is usually set at the time of the employer's enrollment in the state industrial insurance program. This is the responsibility of the underwriter for the state insurance program and sometimes, as in the case of a new firm, requires an estimate of what the employer's premiums will be. Once the amount is established, however, it is not adjusted on any regular basis.

During the 1968-69 fiscal year, the board wrote off bad debts of \$7,331 against premium income. If advance deposits had been adequate, they could be applied to the receivables and the amount of bad debts would have been

substantially reduced. In addition, It was noted that approximately \$20,000 in premiums due over 120 days old as of June 30, 1969, was mostly in litigation, partially due to the fact that advance deposits required were inadequate relative to the time taken to cancel an account.

We believe that advance deposits should be set at an amount for each firm that will cover the last payroll period plus a period of time sufficient to effect a cancellation of insurance in order to avoid bad debts. Since payroll and advance deposit information is already processed by a computer, it would be a relatively simple matter to establish criteria for the computer to adjust advance deposits on a regular basis. The billing could be incorporated into the payroll form which is sent to most employers quarterly.

RECOMMENDATION

We recommend that the board:

- 1. Reevaluate its policy regarding advance deposit amounts required of enrolled firms to insure that such deposits are adequate commensurate with the time necessary to cancel insurance on a firm defaulting in premium payments.*
- 2. Initiate a program of regularly reviewing and updating all advance deposits required of enrolled firms.*

Compensation and Medical Benefits

The board pays compensation and medical benefits and other loss adjustment expenses from the industrial insurance account in the Agency Fund. Claims are filed upon forms designated by the board and are reviewed by claims examiners before payment is made. A file is started for each industrial accident for which a claim for compensation or medical benefits is filed. These contain all correspondence concerning the claim and evidence of all payments made regarding the claim.

Our examination of these payments disclosed a need for more adequate documentation because of several apparent inconsistencies in the payment of benefits under the Workmen's Compensation Act. The board indicates that the courts have made decisions which the board considers when paying benefits, and there are many other intangibles considered by the board in making the decisions. Although these factors may be considered by the board, the records in the file seldom indicate so, making it difficult to determine the basis for the actions upon later review. We believe the board should document the basis for computation and payment of all claims.

RECOMMENDATION

We recommend that the board establish a policy of documenting the reasons for payment of benefits in questionable cases and the manner of computation of lump-sum settlements in all cases.

Supervision of Plans I and II Claims

The board is responsible under the Workmen's Compensation Act for the administration of claims filed under Plan I (Self-insurance) and Plan II (Insurance with private carriers). In March 1969, the board created the position of Plans I and II Claims Supervisor, which is charged with assuring that all claims under these plans are properly resolved. Files are maintained by the board of claims under these plans; however, there is no control record to assure that all cases are properly disposed of. There is no master listing or inventory of claims filed under these plans, though data from such claims is gathered and computerized by the safety division for statistical purposes.

We believe that in order to properly supervise this area of claims, an adequate control record must be built into the system to assure that individual cases are properly disposed of. It is difficult to see how this can be done without a master listing or inventory of claims filed under these plans to establish the workload that the claims supervisor is responsible for.

RECOMMENDATION

We recommend that the board establish and maintain an inventory control of Plans I and II claims in order to better define the workload in this area and more adequately control the disposition of such claims.

Subrogation

In some cases involving workmen's compensation benefits paid, it is possible because of the negligence of a third party involved in an industrial accident, for the board to recover from the negligent third party benefits that have been paid by the board under the Workmen's Compensation Act. This process is known as subrogation.

During the 1968-69 fiscal year, the board's records show \$12,735 in such recoveries. However, this amount is understated by an undetermined amount because of the board's procedures in recording the recoveries. The amount received in subrogation may be used directly to satisfy the board's liability to the injured party. In such cases no amounts are recorded in the board's accounts, which has the effect of understating both recoveries and benefits paid. We believe a much better practice would be to record all such recoveries and show the benefits paid by the board since the satisfaction of such claims is the board's responsibility regardless of whether or not a recovery is made in a subrogation action.

We noted that the board does not maintain a list of claims where possible subrogation action exists. This makes it difficult to determine at a point in time what recoveries have been or may be received from such actions. In addition, because no inventory of such claims is maintained, it is not possible to have a systematic follow-up of such claims or to determine the status of the claims at any given time. Without such a control, there is no assurance that all possible recoveries will be made by the board.

We believe the board should maintain a master list and subsidiary record of all cases which have been identified by claims examiners as possible for subrogation action, showing as a minimum: the claim number, reason why possible subrogation exists, disposition of the case, the amount received, if any, or the reason why subrogation action not taken, and the signature of the person authorizing dismissal of the possible subrogation action.

Section 92-204, R.C.M. 1947, provides, in part, that if an employee brings action against a third party for damages resulting from an industrial accident, the insurance carrier will be subrogated only to the extent of the lesser of one-half of the gross benefits paid under the Workmen's Compensation Act or one-half of the amount recovered and paid to the employee from such action. The section further states, "All expenses of prosecuting such action shall be borne by the employee, . . ." In subrogation cases the board accepts one-half of the damages received by injured employees from negligent third parties after deducting the attorney's fees, thus in effect paying one-half of the attorney's fees. Board personnel report that the courts have established precedent which only allows the board to recover one-half of the net amount of the award (damages less attorney fees).

We believe the board should seek further clarification of this provision.

RECOMMENDATION

We recommend that the board:

- 1. Record all amounts received by the board in subrogation actions.*
- 2. Establish and maintain control records for all claims where possible recoveries in subrogation might be made.*
- 3. Seek clarification of the provision in Section 92-204, R.C.M. 1947, relating to payment of expenses in subrogation actions.*

EXPENDITURE CONTROL

Expenditure Limitations

Section 92-116, R.C.M. 1947, prescribes the manner in which revenues of the board are to be allocated for expenditure purposes and sets forth a formula which, when applied, establishes a limitation upon the amount of board expenditures. The board has not implemented certain provisions of this section and, as a result, expended approximately \$69,000 for the Plan III program for 1968-69 in excess of the maximum provided for by Section 92-116.

The section requires the board to establish two Earmarked Revenue Fund accounts - a general account to be used for board administrative expenses and an industrial insurance account to be used for the operation of the industrial insurance program. The law further prescribes the manner in which revenues are to be deposited to the two accounts. The law further states that "The moneys in each of said accounts shall be used exclusively for the purposes herein described with respect to each such account, and

any balance remaining in either of said accounts shall not be transferred to the other."

Section 92-116 was enacted in 1957, with minor revisions in 1963. The board has never established two separate accounts as the section provides. Instead the board has followed the practice of transferring sums as needed from the Agency Fund, industrial insurance account, to the Earmarked Revenue Fund, administration account, and all administrative expenses are paid from this account.

We believe the board should either adhere to the provisions of Section 92-116, R.C.M. 1947, or if the statute is not workable, seek amending legislation to establish the appropriate statute provisions.

RECOMMENDATION

We recommend that the board comply with provisions of Section 92-116, R.C.M. 1947, or request appropriate legislation to amend the law if it is not workable as presently written.

Overexpenditure of Silicosis Operations Appropriation

As shown by Exhibit D, for the fiscal year ended June 30, 1969, \$4,500 was appropriated for the silicosis operations. A balance of \$3 was carried over from the previous fiscal year, leaving a total available of \$4,503; \$4,499 was charged against this appropriation, and \$4 reverted at June 30, 1969. In addition, the board made payments in 1968-69 from the contingent revolving account of \$967.75 which were not charged against appropriations until the 1969-70 fiscal year, and \$1,467 in claims applicable to 1968-69 invoices, some of which were marked received by the board as early as April 1969, were held and paid from the 1969-70 appropriation.

Section 59-701.2, R.C.M. 1947, provides that "Any just claims not paid

within the fiscal year shall become payable from the succeeding year's appropriation, providing, however, that such claims shall not exceed the appropriation for the preceding biennium." (Emphasis added.)

A recapitulation of the board's expenditures in the silicosis operations account is as follows:

Appropriation for 1968-69	\$4,500
Carryover from 1967-68	<u>3</u>
Total Available	4,503
Expenditures during 1968-69	\$4,499
Expenditures from Revolving Account (reimbursed from 1969-70)	968
Expenditures during July 1969, applicable to expenses incurred during 1968-69	<u>1,467</u>
Total expenditures applicable to 1968-69	<u>6,934</u>
Net Overexpenditure of Appropriation	<u>\$2,431</u>

RECOMMENDATION

We recommend that the board limit expenditures to appropriated amounts.

Payroll

The payroll system of the board is deficient in each of the following areas which a sound payroll system should include:

1. Standardized form for establishing proper approvals of employee appointments and terminations.
2. An attendance reporting system that provides for accurate reporting of employees' time worked and time taken off for vacation, sick

leave, overtime, holidays, and other time off.

3. The maintenance of an accurate up-to-date summary record of each employee's time off earned, taken and balance for vacation, sick leave, and overtime.
4. A segregation of the duties of approving payroll claims and distributing payroll warrants.

The following comments discuss these deficiencies and include recommendations for their correction.

Employee Appointment and Termination Documents

Notification to the board's payroll clerk of employee appointments and terminations are in the form of copies of letters to the Board of Examiners requesting approval for appointments or interoffice memos concerning appointments and terminations which are often not signed by the appropriate supervisor.

We believe that a more formal system should be implemented by the board for notifying the proper personnel in the accounting division of an appointment or termination. This notification should indicate the employee's position and division, have the signature of the supervisor, the approval of the chairman or board, when required, and should be retained in the employee's personnel file.

RECOMMENDATION

We recommend that the board establish a standardized form for approval and processing of employee appointments and terminations.

Employee Attendance Reports

The board currently utilizes employee attendance forms to account for attendance, as well as vacation and sick leave taken on a monthly basis.

These attendance forms are not signed by either the employee or the supervisor, yet they represent the support for the payroll claim submitted for salary payments.

We believe the board, as well as all other state agencies, should have a standardized system for time reporting by its employees which assures accuracy in payroll computations.

RECOMMENDATION

We recommend that the board establish a sound employee time reporting system that includes a standardized time report form required to be signed in ink by both the employee and supervisor.

Vacation, Sick Leave, and Overtime Records

The board presently maintains a record for each employee's vacation leave only, on a form that was designed for accumulating other information pertaining to payroll deductions and lost time. There are no provisions on the form for indicating leave earned and accumulated balances, though this information is entered on the form.

The number of sick days taken by each employee is accounted for, however, the number of sick days earned and the accumulated balances of sick leave are not maintained.

Overtime worked and compensating time off are kept informally by the supervisors of each division and are not made a part of the permanent leave records.

We believe that the board should utilize a form which will provide a record of vacation, sick leave, and overtime earned, taken, and the unused balance. Such records should be maintained currently from properly completed and approved attendance reports.

We noted several instances where board employees were allowed to take vacation leave before they accumulated one year of service. Section 59-1001, R.C.M. 1947, which applies to all state agencies, provides that state employees must be employed for one year before they are entitled to annual vacation leave.

RECOMMENDATION

We recommend that the board:

- 1. Redesign its leave records to accommodate sick leave and overtime hours, as well as vacation leave, in such a manner that leave earned, taken, and accumulated balances are clearly shown.*
- 2. Discontinue granting vacation leave prior to an employee's completing one year of service as prescribed by statutory provisions.*

Termination Pay

Our audit disclosed that the board utilizes an unconventional method for computing the amount of pay due employees upon termination. The result is that terminating employees receive amounts other than they should, and since the method of computation utilized by the board is rather involved, it is easy to make errors in such computation. We noted several errors in the computations the board could not account for.

We believe that the Office of the State Controller should issue regulations prescribing a consistent method of computing termination pay to be utilized by all state agencies.

RECOMMENDATION

We recommend that the state controller prescribe procedures regarding the computation of termination pay to be utilized by all state agencies.

Internal Control in Payroll Operation

During our review of the board's payroll operations, we noted that the fiscal officer has control over all aspects of the payroll operation. He is responsible for making payroll changes, approving the payroll claims, and distributing the payroll warrants.

Features of a good internal control system for payroll include the distribution of salary warrants by someone other than the person responsible for preparation and approval of payroll claims.

RECOMMENDATION

We recommend that the board segregate the duties of approving payroll claims and distributing payroll warrants.

SILICOSIS BENEFIT PROGRAM

Title 71, Chapter 10, R.C.M. 1947, provides for payments to persons having silicosis, a fibrotic condition of the lungs due to the inhalation of silica dust, which results in total disability to do manual labor. When this program originated in 1941, it was administered by the Department of Public Welfare. In 1961, when the Occupational Disease Act was passed, the administration of the Silicosis Benefit Program was transferred to the Industrial Accident Board. This program has since been administered by the board with appropriations from the General Fund. During 1968-69, the law provided for payments of \$125 per month to qualified applicants. These monthly payments were increased to \$140 per month by the 1969 legislature. As of June 30, 1969, there were 412 claimants being paid silicosis benefits.

Any person who has resided in Montana for ten years or more who has reason to believe, because of occupational history, that he may have silicosis, may make application for silicosis benefits. The board then has the claimant

examined by a doctor chosen by the board and all costs of such medical examination, including travel costs of the claimant, are paid from general fund appropriations for such purposes. During 1968-69, 78 applicants for silicosis benefits were examined and based upon these medical examinations, 16 applicants were granted benefits and 62 applicants were rejected.

Under administration by the Industrial Accident Board, when the medical examinations disclose that the claimant is totally disabled from performing manual labor, the claimant will receive such benefits as provided by law, essentially, for the rest of his life.

Silicosis Program Regulations

Section 71-1002(c), R.C.M. 1947, requires the board to ". . . formulate a plan and promulgate regulations for the operation of this chapter."

The board has not established any written regulations regarding the operation of the program. Informal board policy is the present basis for the operation of the program. We believe this is a contributing factor to the problems outlined below regarding the operation of the program and that many difficulties could be resolved by establishing such regulations.

RECOMMENDATION

We recommend that the board establish written regulations for the operation of the silicosis benefit program as required in the law.

Income Limitation for Silicosis Benefit Recipients

Section 71-1003, R.C.M. 1947, outlines the eligibility requirements for aid to persons having silicosis. In an attempt to place a limitation on income from other sources as an eligibility requirement, the Legislative Assembly, in 1955, passed an amendment to Section 71-1003(a), as follows:

"Payments shall be made under this act to any person who: (a) Has silicosis, as defined in section 71-1001, which results in his total disability so as to prevent him from engaging in a gainful occupation. The term 'gainful occupation' as used herein shall not be construed to mean occasional or intermittent light employment where the ability to do manual labor is not essential, but shall mean any person having an income from any other source exceeding one hundred fifty dollars (\$150.00) per month."

However, due to the wording of the subsection, wherein a "gainful occupation" is called a "person", the attorney general expressed, in an opinion dated June 30, 1955, that the amendment is meaningless and unenforceable. Seven legislative sessions have since passed and the legislature has not yet been asked to clarify the amendment which appears to impose an income limitation on silicosis benefit recipients.

The board has established no procedures to determine whether or not claimants are employed. The board has suspended such benefit payments when informed by a claimant that he is working. The board therefore relies totally upon the honesty of the claimant and his statement that he is not working or lack of his statement that he is working.

RECOMMENDATION

We recommend that the board request the legislature to clarify the intent of Section 71-1003(a) as to limitations on income from other sources of silicosis claimants and initiate a program for determining whether or not claimants are eligible to receive benefits considering such limitations.

Control Over Payment of Silicosis Benefits

In addition to the "gainful occupation" restriction previously discussed,

the law imposes several other restrictions on the payment of silicosis benefits, namely:

1. The claimant may not be an inmate of a penal institution.
2. The claimant may not be a patient in a medical institution having been diagnosed as having a psychosis.
3. The claimant may not be a patient in an institution for the treatment of mental diseases.
4. If the person to whom benefits have been ordered to be paid is a patient in Galen State Hospital, the payment shall be made to his wife and children, if any.
5. No provisions are made for the payment of benefits to widows and therefore upon the death of the claimant, the benefit payments are to cease.

The board essentially has no established procedures for determining whether or not a claimant receiving silicosis benefits is in any of the above noted institutions. We found nine claimants receiving benefit payments directly who were patients at Galen State Hospital, for which there was sufficient information in the board's files to indicate the claimants were patients there. In fact, in all nine cases there were indications that the benefit warrant was being mailed to them at Galen. We noted no instances where the board changed the payee to a claimant's wife or children. Six of the nine claimants at Galen were granted the silicosis benefits while they were hospitalized at Galen.

The board does not have a sound system for determining when silicosis claimants die. In most cases, the benefit warrant returned by the post office is the only notice the board receives of a claimant's death. Board personnel occasionally report deaths when they recognize a name in obituary

columns of newspapers, and an outstanding warrant list is obtained each month and is perused for warrants which are not being cashed.

The State Board of Health receives death reports from counties and compiles such information for statistical purposes. We noted two claimants who had died were issued more than one warrant before the warrants were returned by relatives or friends who could not cash the warrants.

We believe the board should establish a more systematic method of determining when claimants die, such as requesting the necessary information from the Board of Health and avoid the situation described where several warrants are issued and not cashed before such determination is made.

RECOMMENDATION

We recommend that the board:

- 1. Establish procedures to determine when claimants are no longer entitled to silicosis benefits, such as initiating a program of exchange of information with the Board of Institutions and the Board of Health.*
- 2. Take appropriate action to change payees or cease benefit payments as required by law.*

Reporting of Activity in Silicosis Benefit Program

In the board's statistical report for the year ended June 30, 1967, a report compiling information about silicosis claimants was made. This report contained such information as the number of claimants, the number and percentage in different age groups, the duration that recipients had been receiving payments, the number of applicants and number found eligible during the year, and number of recipients who died during the year. The

board has not compiled such information since that date. Only the minimum in financial information regarding the silicosis benefit program has appeared in financial statements since that date.

We believe such statistical information should be presented with the board's annual statistical report. Such information is very useful in evaluating the program and determining its need for the future.

RECOMMENDATION

We recommend that the board reestablish its practice of compiling statistical information regarding the silicosis benefit program and include such information with regular statistical reports.

OTHER PROGRAM ACTIVITIES

Boiler Inspection

Section 69-1503, R.C.M. 1947, requires the board to inspect all new steam boilers and steam generators within 90 days of installation and "used" ones before the boilers are put into operation. In addition, the section requires that "all boilers must be inspected at least once in every year." The 1967 legislature amended this law to allow acceptance of insurance carrier boiler inspections in lieu of inspection by board personnel and at the same time included an additional classification of boilers (low-pressure cast iron boilers which were formerly exempted from regulation).

During the 1968-69 fiscal year, the board employed two boiler inspectors who inspected 1,653 boilers. Board personnel estimated that there were approximately 3,000 boilers subject to inspection prior to the addition of the low-pressure cast iron boilers and that the number doubled to 6,000 subject to annual inspection. Board personnel state that they do not have adequate personnel to inspect all such boilers.

We believe the board should reevaluate its boiler inspection program and take appropriate action to either change the laws to limit such inspections or obtain the resources to accomplish such inspections as required by the law.

RECOMMENDATION

We recommend that the board reevaluate its boiler inspection program and, if it is determined that sufficient resources are not available to properly enforce the boiler safety statutes, develop and present a program to the legislature for implementation of an adequate boiler inspection program.

Registration of Aliens

Title 41, Chapter 6, R.C.M. 1947, requires the Industrial Accident Board to annually register alien employees in Montana. The law further requires the board to prepare all printed forms necessary to comply with such registration and makes it a misdemeanor for an employer or employee to fail to comply with this law.

The board indicates that these registrations have not been done in about 30 years. The printed form to be furnished by the board could not be located at the time of this audit.

This law was enacted in 1919, and re-enacted in 1921, and has not been amended since that date. The law is apparently obsolete, since it is no longer enforced, and should be removed from the codes.

RECOMMENDATION

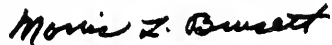
We recommend that the board review the existing statute regarding registration of alien employees and either enforce its provisions or seek legislation to amend or abolish the law.

CONCLUSION

All of the recommendations in this report have been discussed with the board chairman. The chairman informs us that since the completion of our examination several of our recommendations have been implemented.

We thank the chairman and his staff for their cooperation and assistance.

Respectfully submitted,

A handwritten signature in black ink, reading "Morris L. Brusett". The signature is written in a cursive, slightly slanted style.

Morris L. Brusett
Legislative Auditor

September 8, 1970

INDUSTRIAL ACCIDENT BOARD
ALL FUNDS
BALANCE SHEET
June 30, 1969

	<u>General Fund</u>	<u>Earmarked Revenue Fund</u> (Exhibit A-1)	<u>Agency Fund</u> (Exhibit A-2)	<u>General Fixed Assets</u>
<u>ASSETS</u>				
Cash:				
In Bank	\$ 4	\$ -	\$ -	\$ -
In State Treasury	-	61,530	309,171	-
In Office	-	-	1,000	-
Premiums Due	-	-	48,324	-
Investments	-	638,000	13,875,117	-
Deferred Charges	996	-	-	-
Fixed Assets:				
Machinery & Appliances	-	-	-	75,028
Furniture & Fixtures	-	-	-	52,096
Library & Reference Books	-	-	-	2,978
Scientific Apparatus	-	-	-	1,379
Total	<u>\$1,000</u>	<u>\$699,530</u>	<u>\$14,233,612</u>	<u>\$131,481</u>
<u>LIABILITIES, RESERVES, AND FUND BALANCE</u>				
Advance Deposits	\$ -	\$ -	\$ 965,225	\$ -
Dividend Payable	-	-	1,157,907	-
Reserves For:				
Encumbrances	-	26,666	-	-
Investment in Fixed Assets	-	-	-	131,481
Revolving Fund Advance 1,000	-	-	-	-
Compensation	-	-	4,309,264	-
Medical (Claims)	-	-	729,537	-
Medical (Only)	-	-	441,167	-
Re-opened Claims	-	-	350,000	-
Unreported Claims	-	-	295,138	-
Claims Fluctuation	-	-	1,800,000	-
Catastrophe	-	-	3,750,000	-
Security Valuation	-	-	325,825	-
Contingent Dividend Liability	-	-	2,176	-
Fund Balance - Exhibit B	<u>-</u>	<u>672,864</u>	<u>107,373</u>	<u>-</u>
Total	<u>\$1,000</u>	<u>\$699,530</u>	<u>\$14,233,612</u>	<u>\$131,481</u>

INDUSTRIAL ACCIDENT BOARD
EARMARKED REVENUE FUND
BALANCE SHEET
 June 30, 1969

	<u>Administration Account</u>	<u>Volunteer Firemen's Account</u>	<u>Total</u>
<u>ASSETS</u>			
Cash in State Treasury	\$44,898	\$ 16,632	\$ 61,530
Investments in U. S. Treasury Bonds and Notes (at Par)	<u>-</u>	<u>638,000</u>	<u>638,000</u>
Total	<u>\$44,898</u>	<u>\$654,632</u>	<u>\$699,530</u>
 <u>RESERVES AND FUND BALANCE</u>			
Reserve for Encumbrances	\$26,666	\$ -	\$ 26,666
Fund Balance - Exhibit B-1	<u>18,232</u>	<u>654,632</u>	<u>672,864</u>
Total	<u>\$44,898</u>	<u>\$654,632</u>	<u>\$699,530</u>

INDUSTRIAL ACCIDENT BOARD
 AGENCY FUND
 BALANCE SHEET
 June 30, 1969

	Industrial Insurance Account	Occupational Disease Account	Second Injury Account	Industrial Liquidation Account	Total
<u>ASSETS</u>					
Cash in Office	\$ 1,000	\$ -	\$ -	\$ -	\$ 1,000
Cash in State Treasury	294,527	160	3,162	11,322	309,171
Premiums Due	48,324	-	-	-	48,324
Investments:					
U. S. Treasury Bonds and Notes (at Par)	9,317,000	81,000	27,000	-	9,425,000
State Employment Security Commission Bonds (at Par)	310,000	-	-	-	310,000
Corporate Bonds (at Par)	3,406,000	-	-	-	3,406,000
Real Estate Mortgages	734,117	-	-	-	734,117
Total	<u>\$14,110,968</u>	<u>\$81,160</u>	<u>\$30,162</u>	<u>\$11,322</u>	<u>\$14,233,612</u>
<u>LIABILITIES, RESERVES, AND FUND BALANCE</u>					
Advance Deposits	\$ 965,225	\$ -	\$ -	\$ -	\$ 965,225
Dividends Payable	1,157,907	-	-	-	1,157,907
Reserves:					
Compensation	4,295,160	3,770	10,334	-	4,309,264
Medical (Claims)	729,537	-	-	-	729,537
Medical (Only)	440,000	1,167	-	-	441,167
Re-opened Claims	350,000	-	-	-	350,000
Unreported Claims	295,138	-	-	-	295,138
Claims Fluctuation	1,800,000	-	-	-	1,800,000
Catastrophe	3,750,000	-	-	-	3,750,000
Security Valuation	325,825	-	-	-	325,825
Contingent Dividend Liability	2,176	-	-	-	2,176
Fund Balance - Exhibit B-2	<u>-</u>	<u>76,223</u>	<u>19,828</u>	<u>11,322</u>	<u>107,373</u>
Total	<u>\$14,110,968</u>	<u>\$81,160</u>	<u>\$30,162</u>	<u>\$11,322</u>	<u>\$14,233,612</u>

INDUSTRIAL ACCIDENT BOARD
ALL FUNDS
STATEMENT OF CHANGES IN FUND BALANCE
Fiscal Year Ended June 30, 1969

	<u>General Fund</u>	Earmarked Revenue Fund (Exhibit B-1)	Agency Fund (Exhibit B-2)
Fund Balance, July 1, 1968	\$ 48,205	\$ 677,338	\$ 115,816
Additions:			
1968-69 Appropriation	688,200	-	-
Revenue - Exhibit C	8,125	670,828	6,869,257
Discounts on Investments	<u>-</u>	<u>342</u>	<u>-</u>
Total Balance and Additions	744,530	1,348,508	6,985,073
Deductions:			
Expenditures - Exhibit D	663,290	648,978	5,240,243
Reserve for Encumbrances, June 30, 1969	-	26,666	-
Premium on Investments	-	-	112
Additions to Reserves	-	-	480,009
Declared Dividend	-	-	1,157,336
Appropriation Reversion	73,115	-	-
Cancelled Warrants	<u>8,125</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30, 1969	<u>\$ -</u>	<u>\$672,864</u>	<u>\$ 107,373</u>

INDUSTRIAL ACCIDENT BOARD
EARMARKED REVENUE FUND
STATEMENT OF CHANGES IN FUND BALANCE
Fiscal Year Ended June 30, 1969

	<u>Administration Account</u>	<u>Volunteer Firemen's Account</u>	<u>Total</u>
Fund Balance			
July 1, 1968	\$ 84,743	\$592,595	\$ 677,338
Additions:			
Revenue - Exhibit C-1	603,733	67,095	670,828
Discount on Investment	<u> -</u>	<u> 342</u>	<u> 342</u>
Total Balance and Additions	\$688,476	\$660,032	\$1,348,508
 Deductions:			
Expenditures - Exhibit D-1	643,578	5,400	648,978
Reserve for Encumbrances, June 30, 1969	<u>26,666</u>	<u> -</u>	<u>26,666</u>
Fund Balance			
June 30, 1969	<u>\$ 18,232</u>	<u>\$654,632</u>	<u>\$ 672,864</u>

INDUSTRIAL ACCIDENT BOARD
AGENCY FUND
STATEMENT OF CHANGES IN FUND BALANCE
Fiscal Year Ended June 30, 1969

	<u>Industrial Insurance Account</u>	<u>Occupational Disease Account</u>	<u>Second Injury Account</u>	<u>Insurance Liquidation Account</u>	<u>Total</u>
Fund Balance, July 1, 1968	\$ -	\$75,155	\$34,128	\$ 6,533	\$ 115,816
Additions:					
Revenue - Exhibit C-2	<u>6,851,588</u>	<u>3,180</u>	<u>5,552</u>	<u>8,937</u>	<u>6,869,257</u>
Total Balance and Additions	6,851,588	78,335	39,680	15,470	6,985,073
Deductions:					
Expenditures - Exhibit D-2	5,223,845	2,732	9,518	4,148	5,240,243
Premiums on Investments	-	112	-	-	112
Additions to Reserves	470,407	(732)	10,334	-	480,009
Declared Dividend	<u>1,157,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,157,336</u>
Fund Balance, June 30, 1969	<u>\$ -</u>	<u>\$76,223</u>	<u>\$19,828</u>	<u>\$11,322</u>	<u>\$ 107,373</u>

INDUSTRIAL ACCIDENT BOARD
ALL FUNDS
STATEMENT OF REVENUE
 Fiscal Year Ended June 30, 1969

	<u>General Fund</u>	<u>Earmarked Revenue Fund</u>	<u>Agency Fund</u>	<u>Total</u>
Premiums	\$ -	\$ -	\$6,283,188	\$6,283,188
Plan I Assessments	-	27,857	8,976	36,833
Plan II Assessments	-	176,487	16,353	192,840
Plan III Assessments	-	375,640	-	375,640
Second Injury Assessments	-	-	4,000	4,000
Boiler Inspection Fees	-	20,156	-	20,156
Occupational Disease Filing Fees	-	3,593	-	3,593
Premium Tax Collections by State Auditor	-	40,786	-	40,786
Interest Income	-	26,159	521,258	547,417
Cancelled Warrants	8,125	150	-	8,275
Bond Liquidation Proceeds	-	-	8,937	8,937
Other Receipts	-	-	26,545	26,545
Total	<u>\$8,125</u>	<u>\$670,828</u>	<u>\$6,869,257</u>	<u>\$7,548,210</u>

INDUSTRIAL ACCIDENT BOARD
EARMARKED REVENUE FUND
STATEMENT OF REVENUE
 Fiscal Year Ended June 30, 1969

	<u>Administration Account</u>	<u>Volunteer Firemen's Account</u>	<u>Total</u>
Plan I Assessments	\$ 27,857	\$ -	\$ 27,857
Plan II Assessments	176,487	-	176,487
Plan III Assessments	375,640	-	375,640
Boiler Inspection Fees	20,156	-	20,156
Occupational Disease Filing Fees	3,593	-	3,593
Premium Tax Collections by State Auditor	-	40,786	40,786
Interest Income	-	26,159	26,159
Cancelled Warrants	<u>-</u>	<u>150</u>	<u>150</u>
Total	<u>\$603,733</u>	<u>\$67,095</u>	<u>\$670,828</u>

INDUSTRIAL ACCIDENT BOARD
AGENCY FUND
STATEMENT OF REVENUE
 Fiscal Year Ended June 30, 1969

	<u>Industrial Insurance Account</u>	<u>Occupational Disease Account</u>	<u>Second Injury Account</u>	<u>Insurance Liquidation Account</u>	<u>Total</u>
Premiums	\$6,283,188	\$ -	\$ -	\$ -	\$6,283,188
Assessments:					
Second Injury	-	-	4,000	-	4,000
Vocational Rehabilitation Plans I and II	25,329	-	-	-	25,329
Interest on Investments	516,526	3,180	1,552		521,258
Net Proceeds from Liquidation of Bonds Pledged by Insurance Companies	-	-	-	8,937	8,937
Other Receipts:					
Refunds	8,939	-	-	-	8,939
Recoveries	12,735	-	-	-	12,735
Penalties	27	-	-	-	27
Discount on Mortgage Loans	4,844	-	-	-	4,844
Total	<u>\$6,851,588</u>	<u>\$3,180</u>	<u>\$5,552</u>	<u>\$8,937</u>	<u>\$6,869,257</u>

EXHIBIT D

INDUSTRIAL ACCIDENT BOARD
GENERAL FUND AND EARMARKED REVENUE FUND
STATEMENT OF EXPENDITURES AND ENCUMBRANCES
Fiscal Year Ended June 30, 1969

	Balance From 1967-68	1968-69		Total			
	Appropriation	Appropriation	Supplemental	Available	Expenditures	Encumbrances	Balance Reverted
<u>General Fund - Silicosis Program</u>							
Personal Services	\$ 3	\$ 6,100	\$ -	\$ 6,103	\$ 4,350	\$ -	\$ 1,753
Operations	3	2,100	2,400	4,503	4,499	-	4
Grants and Benefits	48,199	680,000	(2,400)	725,799	654,441	-	71,358
Total	\$48,205	\$688,200	\$ -	\$736,405	\$663,290	\$ -	\$73,115
<u>Earmarked Revenue Fund</u>							
Volunteer Firemen's Compensation:							
Grants and Benefits	\$ 440	\$ 5,500	\$ -	\$ 5,940	\$ 5,400	\$ -	\$ 540
Industrial Insurance Administration:							
Personal Services	27,920	402,000	-	429,920	395,902	-	34,018
Operation and Capital	44,620	244,800	-	289,420	247,676	26,666	15,078
Total	\$72,980	\$652,300	\$ -	\$725,280	\$648,978	\$26,666	\$49,636

INDUSTRIAL ACCIDENT BOARD
EARMARKED REVENUE FUND
STATEMENT OF EXPENDITURES
 Fiscal Year Ended June 30, 1969

	Administration <u>Account</u>	Volunteer Firemen's <u>Account</u>	<u>Total</u>
Personal Services:			
Salaries and Wages	\$364,416	\$ -	\$364,416
Employee Benefits	31,486	-	31,486
Operation:			
Supplies and Materials	18,027	-	18,027
Communications	19,968	-	19,968
Utilities	-	-	-
Travel	70,657	-	70,657
Contracted Services	91,797	-	91,797
Special Fees	22,970	-	22,970
Repairs and Maintenance	3,531	-	3,531
Equipment	20,726	-	20,726
Benefit Payments	<u>-</u>	<u>5,400</u>	<u>5,400</u>
Total	<u>\$643,578</u>	<u>\$5,400</u>	<u>\$648,978</u>

INDUSTRIAL ACCIDENT BOARD
 AGENCY FUND
 STATEMENT OF EXPENDITURES
 Fiscal Year Ended June 30, 1969

	Industrial Insurance Account	Occupational Disease Account	Second Injury Account	Insurance Liquidation Account	Total
Compensation Benefits	\$3,453,955	\$2,732	\$9,518	\$4,148	\$3,470,353
Medical Benefits	1,336,818	-	-	-	1,336,818
Litigation Collection Expense	3,730	-	-	-	3,730
Transfer to Earmarked Revenue Fund, IAB Administration Account for Operating Expenses	375,000	-	-	-	375,000
Transfer to Agency Fund, Vocational Rehabilitation Account 1% Assessment on Compensation Payments Pursuant to Section 92-1406, R.C.M. 1947:					
Plan I	8,976	-	-	-	8,976
Plan II	16,353	-	-	-	16,353
Plan III	29,013	-	-	-	29,013
Total	<u>\$5,223,845</u>	<u>\$2,732</u>	<u>\$9,518</u>	<u>\$4,148</u>	<u>\$5,240,243</u>

INDUSTRIAL ACCIDENT BOARD
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
Fiscal Year Ended June 30, 1969

	Balance <u>July 1, 1968</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 1969</u>
Machinery and Appliances	\$ 78,241	\$31,588	\$34,801	\$ 75,028
Furniture and Fixtures	42,987	11,306	2,197	52,096
Library and Reference Books	3,163	-	185	2,978
Scientific Apparatus	<u>3,205</u>	<u>-</u>	<u>1,826</u>	<u>1,379</u>
Total	<u>\$127,596</u>	<u>\$42,894</u>	<u>\$39,009</u>	<u>\$131,481</u>

